PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-3886**
August 19, 2004

R E S O L U T I O N

Resolution E-3886. San Diego Gas & Electric Company (SDG&E) for Approval to Adopt Proposal for a Summer 2004 Demand Reduction Program.

By Advice Letter 1597-E filed on July 12, 2004.

SUMMARY

SDG&E's proposed summer 2004 "Power Down"[1] program is approved.
SDG&E requested expedited authorization for the $500,000 "Power Down" media campaign program to encourage customers to voluntarily reduce energy consumption during summer peak periods.

SDG&E's efforts in the "Power Down/Flex Your Power NOW" program is consistent with the state's goal of raising public awareness.
On July 27, 2004, California Governor Arnold Schwarzenegger held an energy "summit meeting" to promote energy conservation and announced the launch of the "Flex Your Power NOW" campaign.

Implementation of "Power Down/Flex Your Power NOW" will occur in time for SDG&E territory's summer peak demand.
Historical data shows that SDG&E's system load peak occurs late in the summer, typically after the month of August. Since SDG&E is prepared to launch its efforts immediately upon approval of this Advice Letter (AL), the program will

1. [1] "Power Down" was the original name of the program proposed in SDG&E AL 1597-E. Since then, the IOUs have renamed the "Power Down" Program to "Flex Your Power NOW" in order to leverage on the already-recognizable "Flex Your Power" campaign. "Power Down" and "Flex Your Power NOW" are used interchangeably in the Resolution.

occur during SDG&E 's summer peak demand. Although SDG&E did not file its AL within the 5-day period, as specified by the Assigned Commissioner Ruling (ACR), Energy Division recommends approving the funding for "Power Down/Flex Your Power NOW" because it is responsive to the goals of the ACR.

BACKGROUND

SDG&E submitted its summer 2004 demand response program proposal in response to the Assigned Commissioner Ruling.
On June 4, 2004, the Assigned Commissioner, in Rulemaking (R.) 02-06-001, issued a ruling expressing concern about the possibility of supply shortages this summer and invited the utilities to submit Advice Letters (ALs) to implement programs in summer 2004.

Pacific Gas & Electric Company (PG&E) submitted AL 2523-E proposing the "Power Down" program. This proposal was approved on July 8, 2004 in Resolution E-3882. SDG&E is proposing to implement the same program consistent with PG&E.

In AL 1597-E, SDG&E proposes the "Power Down" Program to address the Assigned Commissioner's concern of the possibility of supply shortages this summer. "Power Down" is an awareness campaign that encourages customers to voluntarily reduce energy consumption during critical summer peak periods.

SDG&E proposes various strategies in the "Power Down" campaign to reduce peak usage.
SDG&E proposes the following strategies:
- Model "Power Down" after the successful "Spare the Air" campaign;
- Partner with Flex Your Power to develop and launch a grassroots media campaign with other key stakeholders, including government entities and customer groups;
- Issue "Power Down" media notifications when the California Independent System Operator (CAISO) declares tight supplies;
- Provide targeted messages to customer on those days regarding ways to reduce peak usage and save money;
- Provide targeted marketing of peak reducing rebate measures (assuming more funding is allocated for 2004 rebate measures);

- Provide targeted messages using paid and non-paid media on what “Power Down” days are and specific steps customers can take to reduce peak energy use, and how customers can help avoid power outages.

SDG&E proposes to record and recover the costs associated with implementing the program through an existing memorandum account established for demand response programs.
SDG&E is requesting $500,000 to work with the Investor-Owned Utilities (IOUs), Flex Your Power, and the Energy Coalition to develop and launch this campaign. SDG&E proposes to record and recover the costs associated with implementing the “Power Down” Program from the Advanced Metering and Demand Response Account (AMDRA) mechanism established in Decision (D.) 03-03-036.

NOTICE

Notice of AL 1597-E was made by publication in the Commission’s Daily Calendar. San Diego Gas & Electric Company states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Advice Letter AL 1597-E was not protested.

DISCUSSION

Energy Division has reviewed SDG&E’s AL and was guided by the June 4, 2004 ACR in its review. Energy Division initially recommended denying the proposed program based on the following reasons.

SDG&E provided no cost-benefit analysis to demonstrate the ratepayer benefits of implementing the “Power Down” Program.
No information was provided by SDG&E as to how much load reduction could potentially be achieved through the “Power Down” Program. A cost-benefit analysis is needed to justify the $500,000 program cost proposed by SDG&E.

SDG&E did not file within the ACR’s deadline and implementation of the “Power Down” Program would occur too late in the summer.

The June 4, 2004 ACR specifically asked that the three utilities submit ALs within five days to propose summer 2004 demand response programs. SDG&E filed AL 1597-E on July 12, 2004, a full month past the stated deadline. In its AL, SDG&E proposes to implement the new program by August 1, 2004. But given that time is required for Commission review and SDG&E to launch the program, the "Power Down" Program will not be available until late in the summer. With much of the summer behind it, SDG&E's proposal would not be responsive to the ACR, which invited programs that address concerns about possibility of supply shortages this summer.

The Commission supports cost-effective programs that reduce peak demand. As stated in the Energy Action Plan[2], the Commission is committed to ensure that adequate, reliable, and reasonably-priced electrical power and natural gas supplies, including prudent reserves, are achieved and provide through policies, strategies, and actions that are cost effective and environmentally sound for California's consumers and taxpayers.[3] Energy Division recognizes that cost-effective programs that reduce peak demand are a key component of meeting the Commission's objectives in the Energy Action Plan. Energy Division's initial recommendation of denial of SDG&E's proposal is not a departure from this awareness. Instead, Energy Division's recommendation is driven by the lack of a cost-effectiveness showing in SDG&E's proposal.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

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[2] The CPUC adopted the Energy Action Plan in May 2003 in collaboration with the California Energy Commission (CEC) and the California Consumer Power and Conservation Financing Authority (CPA).

[3] EAP, page 2.

All parties in the proceeding have stipulated to reduce the 30-day waiting period required by PU Code section 31l(g)(1) to 16 days. Accordingly, this matter will be placed on the first Commission's agenda 16 days following the mailing of this draft resolution. By stipulation of all parties, comments shall be filed on August 12, 2004.

SDG&E timely filed comments on the Draft Resolution.

SDG&E urges the Commission to revise the Draft Resolution and grant approval of AL 1597-E.

SDG&E addresses the concerns raised in the Draft Resolution and provides the following reasons in support of the AL:

SDG&E notes that the ACR specifically seeks programs that "achieve demand response through Advanced Load Control (as proposed by Southern California Edison Company (SCE)) and expansion of Smart Thermostat programs (as proposed by SCE and SDG&E)." SDG&E did not file an AL in response to the ACR at that time because SDG&E was not prepared to implement either of the two programs specifically addressed in the ACR. The other two utilities filed ALs in response to the ACR, but also proposed items beyond the scope described in the ACR. Upon review of the programs approved for SCE and PG&E, SDG&E determined that it would file an AL to implement the "Power Down" Program.

SDG&E argues that the "Power Down" Program is consistent with recent and ongoing statewide efforts to raise public awareness of potential energy supply shortages. The ACR itself was prompted by concerns that there is the possibility of supply shortages this summer. SDG&E cites a recent press release from California Governor Arnold Schwarzenegger, which highlights the state's *Flex Your Power Now* efforts to be launched this summer. In light of the fact that the "Flex Your Power" campaign is highly recognizable, the three IOUs have renamed the "Power Down" Program to "Flex Your Power NOW". SDG&E believes approval of AL 1597-E is consistent with this effort.

SDG&E has already been actively working with various media channels to provide information to and educate its customers. SDG&E intends to continue its campaign efforts, specifically contacting media outlets to provide situation updates and information, updating the SDG&E web site and using e-mail alerts and updates. These activities do not require additional funding.

SDG&E disagrees that implementation of the "Power Down" Program would occur too late in the summer.

SDG&E argues that rejecting the AL on this basis is "simply a short-sighted view of the contribution toward reduced energy consumption that can, and is likely to, take place amongst SDG&E customers."[4] In its comments, SDG&E provides historical data to demonstrate that SDG&E's system load peak for the past three years occurred after August. Specifically:

1. SDG&E's system load peak for 2003 occurred on September 5, and totaled 3,902 MW.
2. SDG&E's system load peak 2002 occurred on September 23, and totaled 3,541 MW.
3. SDG&E's system load peak for 2001 occurred on October 1, and totaled 3,225 MW.

SDG&E also states that if the "Power Down" Program is approved, SDG&E is ready to launch the program immediately.

SDG&E approximates the cost of reaching its customers at 40 cents per customer, based on the incremental cost request of $500,000, and the media campaign reaching 1.3 million customers in the SDG&E service territory. SDG&E weighs this incremental cost against the potential benefits of avoiding involuntary rotating outages, or rolling blackouts. As set forth in SDG&E's testimony in Application (A.) 00-07-055, the estimated annual value of avoiding a rolling blackout outage is $12 million. SDG&E believes that the incremental cost associated with the "Power Down" Program "to be an extremely cost-effective approach."

SDG&E also notes that no protests to AL 1597-E were received.

Energy Division recognizes that all three utilities submitted demand response program proposals beyond the scope of the ACR. Given the concern of the possibility of supply shortages this summer, Energy Division believes that SDG&E's proposal should be given full consideration. In light of the fact that California Governor Arnold Schwarzenegger recently highlighted the launch of

2. [4] Comments of San Diego Gas & Electric Company on Draft Resolution E-3886, p.2.

"Flex Your Power NOW", it is important to continue this effort. The incremental funding will allow the "immediate production and mailing of messages targeting businesses and higher energy-using residential customers, development of bill enclosures, negotiations with local media regarding purchase of advertising space and design and production of materials for distribution through company offices and local community events."[5]

Energy Division originally posited that the implementation of the proposed activities would occur too late in the summer. In its comments, SDG&E provided compelling evidence that implementing such activities in mid- to late-August would still achieve results since the system load peak for the service territory historically has occurred in September or October. Also, the "Power Down/Flex Your Power NOW" campaign is on its way for the other two utilities at this time, and SDG&E should participate in a consistent manner.

The Commission supports cost-effective programs that reduce peak demand. SDG&E provided a general analysis that compares the cost of the program to the cost of a rotating outage that could be avoided. Energy Division is persuaded that the proposed "Power Down/Flex Your Power NOW" program will help to reduce peak demand this summer.

Based on the above, Energy Division recommends approving AL 1597-E.

FINDINGS

1. The Assigned Commissioner in R.02-06-001 issued a ruling on June 4, 2004, inviting the utilities to file Advice Letters to implement programs to achieve demand response through Advanced Load Control and expansion of Smart Thermostat programs.

2. PG&E filed AL 2523-E on June 14, 2004, requesting Commission approval of two new programs to achieve demand reduction during the summer of 2004.

3. PG&E's request for Commission approval for the implementation of Electric Rate Schedule E-SAVE and "Power Down" was approved on July 8, 2004.

3. [5] Comments of San Diego Gas & Electric Company on Draft Resolution E-3886, p.3.

4. SDG&E filed AL 1597-E on July 12, 2004 requesting Commission approval of the “Power Down” Program, which is equivalent to PG&E’s program.

5. SDG&E requests $500,000 to implement the “Power Down” Program, which will be recorded and recovered through the existing Advanced Metering Demand Response Account (AMDRA).

6. SDG&E has renamed the “Power Down” Program to “Flex Your Power NOW”. The terms are used interchangeably in this resolution.

7. SDG&E’s implementation of the “Power Down” Program can be done immediately and SDG&E’s historical data demonstrates that SDG&E’s system load peak for the past three years occurred after August.

8. The proposed “Power Down” program will help to reduce peak demand this summer.

9. SDG&E’s proposed “Power Down” Program should be approved.

THEREFORE IT IS ORDERED THAT:

1. SDG&E’s Advice Letter AL 1597-E is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 19, 2004; the following Commissioners voting favorably thereon:

/s/ STEVE LARSON
STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
CARL W. WOOD
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners

I abstain.
I reserve the right to file a statement.
/s/LORETTA M. LYNCH